CANADA PENSION PLAN

January 1998

Survivor Benefits

- Death Benefit
- Surviving Spouse's Pension
- Children's Benefit

Human Resources Development Canada
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Introduction

The Canada Pension Plan (CPP), which began in 1966, provides basic benefits when a contributor to the Plan becomes disabled or retires; and, at the contributor's death, the Plan provides survivor benefits.

Section One of this booklet describes the Canada Pension Plan survivor pension and benefits.

Section Two contains overall information on the Canada Pension Plan itself.

Please note that the information contained in this booklet is general only and reflects the CPP as of January 1998. When questions arise, CPP legislation must govern.

For more information about the Canada Pension Plan, please call free of charge:

1 800 277-9914 English

1 800 277-9915 French

If you have a hearing or speech impairment and you use a TDD/TTY device, please call:

1 800 255-4786

For faster telephone service call Tuesday to Friday during the middle weeks of the month. Please have your social insurance number (SIN) ready.

CPP Survivor Benefits

1 What are CPP survivor benefits?

CPP survivor benefits are paid to the deceased contributor's estate, surviving spouse and dependent children. There are three types of benefits.

- **The death benefit** is a one-time payment to, or on behalf of, the estate of a deceased CPP contributor.
- **The surviving spouse's pension** is a monthly pension paid to the surviving spouse of a deceased contributor.
- **The children's benefit** is a monthly benefit for dependent children of a deceased contributor.

It is important to apply for CPP benefits. If you do not apply, you may lose benefits you are entitled to receive.

2 How long must I contribute for my survivors to receive benefits?

For your survivors to be eligible, you must have made contributions to the Canada Pension Plan for at least three years. If your CPP "contributory period" *(see page 17)* is longer than nine years, you must have contributed in:

- one third of the calendar years in your contributory period, **or**
- 10 calendar years, whichever is less.

3 *Who is eligible for survivor benefits?*

The **CPP death benefit** is a one-time, lump-sum payment made to the deceased contributor's estate. If there is no estate, the person responsible for the funeral expenses, the surviving spouse or the next of kin may be eligible, in that order.

The **CPP surviving spouse's pension** is paid to the person who, at the time of death, is the legal or common-law spouse of the deceased contributor *(see definition of "spouse" on page 19).* If you are a separated legal spouse and there is no cohabiting common-law spouse, you may qualify for this benefit.

The **CPP children's benefit** is paid to the natural or adopted child of the deceased contributor, or a child in the care and control of the deceased contributor at the time of death. The child must be either under age 18, or between the ages of 18 and 25 and in full-time attendance at a recognized institution.

4 *How much is the death benefit?*

As with most CPP benefits, the amount of the death benefit depends on how much, and for how long, you paid into the CPP.

CPP first calculates the amount that your CPP retirement pension is, or would have been if you had been age 65 when death occurred. The death benefit is equal to six months' worth of this "calculated" retirement pension, up to a maximum of $2,500.

5 How much will my surviving spouse receive?

The amount of your surviving spouse's monthly pension depends on:

- how much, and for how long, you have paid into the Plan;
- your spouse's age when you, the contributor, die; and
- whether your spouse is also receiving a CPP disability or retirement pension *(see page 12).*

First CPP calculates how much your CPP retirement pension is, or would have been if you had been age 65 at the time of your death. Then, a further calculation is done based on your surviving spouse's age at the time of your death. This chart may help.

If your surviving spouse is:	Then the calculation is:
• age 65 or more	• 60 per cent of your "calculated" retirement pension
• age 45 to 64 **or** • under age 45 **and** – disabled (according to CPP legislation) **or** – raising your dependent child	• a flat rate portion **plus** 37.5 per cent of your "calculated" retirement pension
• under age 45 **and** – **not** disabled (according to CPP legislation) **and** – **not** raising your dependent child	• as above (age 45 to 64) **minus** 1/120 for each month your spouse is under age 45 at the time of your death
• under age 35 **and** – **not** disabled (according to CPP legislation) **and** – **not** raising your dependent child	• not paid until your spouse reaches age 65 **or** becomes disabled

In 1997, the **average** survivor's pension paid to persons aged 65 and over was $231.78 per month. The **maximum** for that year was $442.09 per month.

6 *Who qualifies for the children's benefit and how much is it?*

A child who has lost **at least one parent** who was a CPP contributor may qualify. For the benefit to be paid, the deceased parent must have met the contributory requirements *(see page 3).*

The monthly children's benefit is a flat rate that is adjusted annually. In 1998, the children's benefit is $169.80 per month.

A child may get up to two benefits if:

- both parents paid into the CPP, **and**
- each parent is either disabled (according to CPP rules) or deceased.

For information on disability benefits, contact Human Resources Development Canada and ask for the booklet "*Disability Benefits – Canada Pension Plan*".

Note, if the child is under the age of 18, the benefit is normally paid to the person with whom the child is living. However, in some cases, the benefit can be paid to the child who has applied. If the child is 18 or older and qualifies because of full-time attendance at a recognized institution, the benefit is paid directly to him or her on application.

Applying for Survivor Benefits

7 Are benefits always paid?

No. The person who died must have made enough contributions to the Canada Pension Plan *(see page 3)*. As well, his or her survivors must meet eligibility requirements *(see page 4)*, and apply.

8 If I am the survivor, when should I apply?

You should apply as soon as possible after the contributor's death. If you delay, you may lose benefits. CPP can only make back payments for up to 12 months.

Note, if you are widowed more than once, only one surviving spouse's pension — the larger of the two — will be paid.

9 Who should complete the application?

As the surviving spouse, you are responsible for applying for your monthly pension. If you are incapable of applying, you may have a representative (such as a trustee) apply for you.

If you are caring for a dependent child of the deceased contributor and the child is under the age of 18, you should also apply for the

children's benefit on behalf of the child. However, children under age 18 who are living on their own may complete their own application.

Dependent children who are between the ages of 18 and 25 and in full-time attendance at a recognized institution should apply for the children's benefit themselves.

The executor, administrator or a legal representative of the estate should apply for the death benefit. If there is no estate, the person responsible for the funeral expenses, the surviving spouse or the next of kin may apply, in that order.

10 *How do I apply?*

You must complete an application. Application kits are available from any Human Resources Canada Centre and many funeral homes. The kit contains the information and instructions as well as a list of documents you will need to apply. You may ask for a kit or assistance at any time.

Receiving Survivor Benefits

11 *When is the death benefit paid?*

The one-time death benefit is usually paid within 6-12 weeks of application.

12 When do monthly benefits begin?

The surviving spouse's pension and children's benefit can be paid beginning the month after the contributor's death. As soon as CPP has all the information, your application will be processed. It could take six to 12 weeks for the first payment to arrive. If you delay in applying, CPP can make back payments for up to 12 months.

13 When should I expect payments to arrive each month?

If you have your payment deposited directly to your account, it will be there on the third last banking day of the month.

If you get your payment by mail, the cheque will usually arrive during the last three banking days of the month.

For more information on direct deposit please see page 22.

14 Will I lose my pension if I remarry?

No. Your pension will continue even if you remarry.

Note, this is a change in the rules that took place in 1987. If you previously lost a CPP survivor benefit because you remarried, call Human Resources Development Canada *(see page 29)* to find out if you are now eligible.

15 *If a surviving child marries, does he or she lose the children's benefit?*

No. Benefits are not affected if the child marries, as long as all other conditions of eligibility remain the same.

16 *What happens when a child reaches 18?*

When the child reaches the age of 18, he or she is still eligible for benefits as long as he or she remains in full-time attendance at a recognized institution. The child must complete an application, and a "Declaration of Attendance at School or University". These forms should be filled out as soon as possible because back payments will only cover a 12-month period.

The monthly benefit will be paid directly to the child. The children's benefit is paid during normal school vacations, but will stop if the child has not sent CPP a signed school attendance form. This form must be completed each year or semester and signed by both the child and a school official.

If the child leaves school and then, later, returns to school full-time, the children's benefit may be reinstated. It will be paid starting the month he or she returns to school. The children's benefit will not be reinstated unless the child applies.

When will my survivor's pension stop?

If you, the surviving spouse, are **over** age 35 (at the time of the contributor's death), your pension will stop:

- the month after your death.

If you are **under** the age of 35, your surviving spouse's pension ends when:

- you are no longer disabled (under CPP legislation); **or**
- you are no longer raising the deceased contributor's dependent child; **or**
- the month after your death.

The children's benefit stops when:

- a child between the age of 18 and 25 is no longer in full-time attendance at a recognized institution; **or**
- the child reaches age 25; **or**
- the child dies.

You must tell CPP about any changes that affect your eligibility. If you do not, and you receive payments to which you are not entitled, you will have to pay them back.

Combining CPP Pensions

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Can I receive another pension from the CPP while I am getting a CPP survivor's pension?

Yes. If you you are getting a CPP retirement or disability pension, CPP combines it with your survivor pension. The combined benefit comes as one monthly payment. There is, however, a limit to what you can receive which may not equal the total of both benefits.

General Information About the Canada Pension Plan

1 What benefits does the Canada Pension Plan provide?

There are three kinds of Canada Pension Plan benefits:

- **disability benefits** (include pensions for disabled contributors and benefits for their dependent children);
- **retirement pension**; and
- **survivor benefits** (include the death benefit, the surviving spouse's pension and the children's benefit).

The CPP operates throughout Canada, although the province of Quebec has its own similar program, the Quebec Pension Plan (QPP). The CPP and the QPP work together to ensure that all contributors are protected.

2 How is the Canada Pension Plan financed?

The CPP is a "contributory" plan. This means that all costs are covered by the financial contributions paid into the Plan by employees, their

employers and self-employed people, and from interest earned on the investment of that money. The CPP is **not** funded through general tax revenues.

3 How will CPP investment policy change?

A CPP Investment Board will be formed to operate at arm's length from the federal and provincial governments. The Board will use qualified professionals to invest CPP funds in financial markets. The Board will broadly follow the same investment rules as other pension plans.

It will be accountable to the public and report its investment results regularly.

4 Will provinces continue to borrow CPP funds?

Provinces will be able to borrow from the CPP. The amount will be limited to the proportion of provincial bonds held by other pension funds. The provinces will pay the same interest rate as they do on their other loans.

5 *Who pays into the CPP?*

With very few exceptions, every person in Canada over the age of 18 who earns a salary must pay into the CPP (in Quebec, you pay into the QPP). You and your employer each pay half of the contributions. If you are self-employed, you pay both portions.

You do not make contributions if you are receiving a CPP or QPP disability or retirement pension. At age 70, you stop contributing even if you have not taken your retirement pension.

6 *How much do I pay into the CPP?*

The amount you pay is based on your salary. If you are self-employed, it is based on your net business income (after expenses). You do not contribute on any other source of income, such as investment earnings.

If, during a year, you contributed too much or earned less than a set **minimum** amount, you will receive a refund of contributions at income tax time.

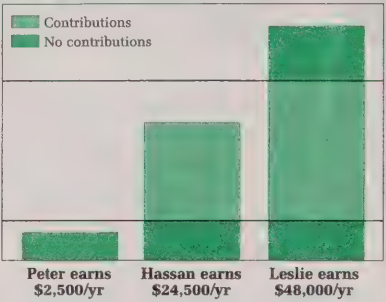
You only pay contributions on your annual earnings between the **minimum** and a set **maximum** level (these are called your "pensionable" earnings).

The minimum level is frozen at $3,500. The maximum level is adjusted each January, based on increases in the average wage.

Contribution Patterns

1998 Maximum* $36,900 (average wage in Canada)

Minimum* $3,500



* *Technically, these are referred to as the Year's Maximum Pensionable Earnings (maximum) and the Year's Basic Exemption (minimum).*

Why are my contributions important?

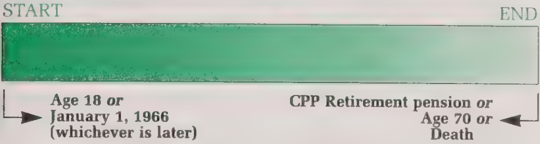
Your contributions are used to determine if you or your family are eligible for a benefit, and to calculate the monthly amount. Both the length of time and the amount of earnings on which you contribute (up to the maximum each year) are factors. Normally, the more you earn and contribute to the CPP over the years, the higher the benefit will be (when you become entitled) because you will have built up a lot of CPP pension credits.

Your CPP credits can also be affected by "credit splitting" *(see page 20)*.

8 *What is my "contributory period" and how is it used?*

The total span of time during your life when you **may** contribute to the CPP is called your contributory period.* It is used in calculating the amount of any CPP benefit to which you become entitled.

CPP Contributory Period



** **NOTE:** You do not contribute while you are receiving a CPP disability pension. Removing that time from your contributory period protects the calculation of your future benefits.*

9 *If I had some low-earning years, will that reduce my pension?*

Remember that CPP calculations include both **how much** and **how long** you have contributed.

However, to protect you, some parts of your contributory period can be dropped out of the calculation, such as:

- periods when you stop working or your earnings become lower **while** you are raising your children under the age of seven;
- low earning months **after** the age of 65;
- any month when you were eligible for a CPP disability pension;
- 15 per cent of your lowest earning years in your contributory period.

CPP Contributory Period

Dropping out periods of low earnings will **increase** the amount of your benefit.

10 *How does the CPP keep track of my contributions?*

Since 1966, the CPP has kept a "Record of Earnings" for each person who pays into the CPP and for people who pay into both the CPP and the QPP. The information is supplied through Revenue Canada and Revenu Québec.

It is **important** that you check your T4 slip (the statement of earnings you receive from your employer each year) to make sure that your name and social insurance number (SIN) are the same as on your SIN card. If not, your CPP contributions will not be credited to your CPP account. This could mean not getting benefits to which you are entitled.

If you change your name or lose your social insurance card, you should contact your local Human Resources Canada Centre (HRCC) as soon as possible. The HRCCs are listed in the Government of Canada section of most phone books under Human Resources Development Canada.

11 How do I find out how much I have contributed?

You should automatically receive a Statement of Contributions every few years. However, you can ask for a statement once a year.

Your Statement of Contributions shows, by year, the total amount of your CPP contributions, and your "pensionable" earnings (*see page 15*), on which they are based. It also estimates what your pension or benefit would be if you were eligible now.

Check your statement carefully – particularly your earnings and contributions. You should compare these amounts to any previous T4 (income tax) slips. If you disagree with any of the figures, contact Human Resources Development Canada immediately. It could have an effect on the amount of your future CPP benefits.

12 Who is a "spouse"?

For the purpose of the CPP, a "spouse" is a person of the opposite sex with whom you are in a legal or common-law marriage.

A common-law spouse is a person of the opposite sex with whom you have been living in a conjugal (married) relationship for at least one year.

13 What are CPP "pension credits"?

CPP keeps a record of your earnings and the contributions you pay on them over the years. These are your "pension credits".

Generally, the more credits you have, the higher your CPP benefits will be.

14 What is "credit splitting"?

When a marriage or common-law relationship ends, the CPP credits built up by the couple, during the time they lived together, can be divided equally between them. Credits can be split even if one spouse did not pay into the CPP.

Credit splitting can affect the CPP entitlements of both former spouses. For more detailed information, contact Human Resources Development Canada and ask for the CPP booklet, "*Credit Splitting upon divorce or separation*".

15 What is "assignment" or pension sharing?

Pension sharing is for "spouses" who are together and already receiving their CPP retirement pension(s). Pension sharing is called "assignment". With assignment, each spouse

can receive a portion of the other's pension, if they choose to share in this way. Assignment does not increase or decrease the overall benefits paid. For more information, contact Human Resources Development Canada and ask for the CPP booklet, "*Retirement Pension – Canada Pension Plan*".

16 What happens if I pay into the Quebec Pension Plan (QPP)?

Which Plan you pay into (CPP or QPP) depends on where you work, **not** where you live. If you work in Quebec, you pay into the QPP. If you work in any other province or territory, you pay into the CPP. Depending on where you have worked over the years, you may have paid into **both** plans.

The two plans are very similar but not identical. If you have paid into only one of the plans, you apply to **that** Plan for your pension or benefits.

If you have contributed to both the CPP and the QPP, you apply to the QPP if you are living in Quebec at the time of your application, and to the CPP if you are living anywhere else in Canada.

If you are living outside Canada, you apply according to the last province you lived in.

Regardless of which Plan pays your benefit, the amount will be calculated according to your contributions to both plans and the legislation of the Plan responsible for paying your benefit.

17 *What happens if I lived or worked in another country?*

Canada has agreements with many countries, which can help you get pensions or benefits from **either** country. If you did not live or work long enough in one of these countries to qualify, the time you spent in the other country may be added to meet the requirement.

If you have lived or worked in another country, you should contact Human Resources Development Canada.

18 *Can I have my payments deposited directly to my "bank" account?*

Yes. Direct deposit forms are available from Human Resources Development Canada, as well as many banks, caisses populaires, credit unions and trust companies or call Human Resources Development Canada *(see page 29)*.

If your payment comes by **cheque**, the cheque will usually arrive during the last three banking days of each month. If you have **direct deposit**, the money will be in your account on the third last banking day of each month.

19 *Can I receive my CPP payments outside Canada?*

Yes, provided you meet all CPP eligibility conditions. Payments are made anywhere in the world in Canadian dollars. If you live in the United States and have your payment deposited "direct" to a US financial institution, the funds are automatically converted into US dollars.

20 *Will I get cost-of-living increases?*

Yes. If there is any increase in the cost of living in Canada, your CPP payments will be increased accordingly, in January.

21 *What if I am incapable of applying?*

If, because of an illness or infirmity, you are incapable of applying for a CPP pension or benefit, your representative can apply on your behalf.

Appealing a Decision

22 What can I do if I do not understand, or I disagree with, a CPP decision that affects me?

If you do not understand a decision, you may ask CPP about it.

If you are dissatisfied with a decision, you can ask CPP to reconsider it. Your request for reconsideration must be made, in writing, within 90 days of receiving the decision. If you are still dissatisfied after reconsideration, you may appeal.

Protecting Your Information

23 Who can see the information on my CPP file?

Your information is protected by Canada Pension Plan legislation, the *Access to Information Act* and the *Privacy Act*. Information may be made available to a federal or provincial institution or a non-governmental organization to administer the CPP. Information may also be made available to specified federal departments or provincial institutions to administer a federal or provincial law, or to foreign institutions under a social security agreement.

24 *Can I see the information on my file?*

Yes. You can ask to see or have copies of any information about you that is in a federal government file. The Treasury Board publication, "*Info Source: Sources of federal government information*", and the forms to request the information are available in government offices, public libraries and federal constituency offices. If you live outside Canada, these publications may be available at Canadian embassies and consulates.

Taxation and Your CPP Benefits

25 *Are my CPP payments taxable?*

Yes. CPP payments are taxable income.

If you want, you may have your income tax deducted each month. For more information, contact Human Resources Development Canada.

If you do not request monthly tax deductions, you may have to pay your income tax in quarterly installments. For more information, contact a Revenue Canada Tax Services office.

If you live outside Canada and are not considered to be a Canadian resident for income tax purposes, a non-resident tax is withheld from your monthly CPP payment. The tax rate is

25 per cent unless reduced or exempted by a tax treaty between Canada and your country of residence. If you have tax-related questions, call Revenue Canada's International Tax Services Office at **1 800 267-3395** (Canada and U.S.A.), **(613) 952-2344** (all other countries), or send a fax to (613) 941-6905. You may also get copies of many Canadian tax forms and publications from your Canadian embassy or consulate.

Early each year, you will receive a T4A(P) slip showing the amount of CPP payments you received during the previous year. This slip is needed to complete your income tax form and must be included with your tax return.

Other Benefits

26 Are there other benefits for which I may be eligible?

Yes. If you are over the age of 65, you may be eligible for a pension under the *Old Age Security (OAS) Act*. If you are age 60 to 64, have a low income and are widowed or the spouse of an OAS pensioner, you may qualify for either a Widowed Spouse's Allowance or a Spouse's Allowance. If you have a low or limited income, you may also qualify for the income-tested Guaranteed Income Supplement (GIS).

You may be eligible for benefits under the *War Veterans Allowances (WVA) Act*, administered by Veterans Affairs Canada, Employment Insurance benefits and other types of income assistance and services from your provincial/territorial and municipal governments.

27 *Do my CPP benefits affect the amount I receive from other programs?*

Yes, they may. Income-tested benefits from programs such as War Veterans Allowances, the Guaranteed Income Supplement, the Spouse's Allowance and the Widowed Spouse's Allowance as well as provincial/territorial social assistance ("welfare") will take your CPP income into account. CPP benefits may also affect how much you get from your employer pension or private-sector disability insurance. Most Workers' Compensation programs also take CPP income into account.

Please consult the authorities responsible for such programs for further information.

More Information

The following booklets on the CPP, as well as other materials, are available from Human Resources Development Canada (HRDC). Please call free of charge*:

1 800 277-9914 English

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Retirement Pension – Canada Pension Plan

Disability Benefits – Canada Pension Plan

Credit Splitting upon divorce or separation – Canada Pension Plan

Information is also available from HRDC on:

- Old Age Security (including the Spouse's Allowance, Widowed Spouse's Allowance and the Guaranteed Income Supplement) and
- International Social Security Agreements.

* For faster telephone service call Tuesday to Friday during the middle weeks of the month. Please have your social insurance number (SIN) ready.